

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Honda Analyst: Marion Mann DeJong Bill Number: AB 2360

Related Bills: See Prior Analysis Telephone: 845-6979 Amended Date: 04/25/2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Renter Credit/Teachers & Safety Officers

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED April 3, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would create an additional \$500 renter's credit for specified teachers and public safety officers.

SUMMARY OF AMENDMENT

The April 25, 2000, amendments added an adjusted gross income (AGI) limitation, modified the indexing provision, defined the terms "entry-level" and "public safety officer," and modified the definition of "qualified renter."

The "Effective Date," "Legislative History/Background," and current law discussion in "Specific Findings" from the department's analysis of the bill as amended April 3, 2000, still apply. The remainder of that analysis is replaced with the following.

SPECIFIC FINDINGS

This bill would create a \$500 renter's credit for "qualified renters." This credit would be allowed in addition to the renter's credit allowed under current law.

This bill would define a "qualified renter" as an individual who is either an entry-level teacher for students in grades kindergarten to 12, inclusive, or an entry-level public safety officer who is currently working in that profession, and who:

- is a California resident, and
- rented and occupied premises that were the taxpayer's principal residence for at least 50% of the taxable year.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Johnnie Lou Rosas

5/11/00

The bill provides that the rented principal residence would be located within certain unspecified metropolitan statistical areas with a cost of living greater than an unspecified amount. The cost of living amount was left blank in the bill.

"Entry-level" would mean a person who has been in a profession for four years or less. "Public safety officer" would mean any rank and file state or local law enforcement officer, including any sheriff officer, police officer or firefighter.

This bill would limit the credit if the individual's AGI exceeded \$200,000 for married individuals or \$100,000 single individuals.

Policy Considerations

This bill would raise the following policy considerations:

- This bill would allow an individual to claim both the existing renter's credit and the teacher/public safety officer renter's credit created by this bill.
- The bill would not require the teacher to be currently employed within California.

Implementation Considerations

This bill would raise the following implementation considerations. Department staff will work with the author to resolve these issues as the bill moves through the legislature.

- The following terms and phrases are undefined or unclear. Undefined and unclear terms and phrases can lead to disputes between taxpayers and the department.

The definition of "public safety officer" is very broad. The author should consider defining this term using similar (known) definitions provided under the Penal Code or other California codes.

The phrase "currently working in that profession" is unclear. Does this mean working in the profession at the end of the tax year? It is unclear whether the author intended the credit to be allowed for any portion of the year that the individual was not employed as a teacher or public safety officer.

The phrase "certain unspecified metropolitan statistical areas with a cost of living greater than _____" is incomplete and unclear. Further, depending on how the phrase is completed and defined, it may be difficult for taxpayers and the department to verify that the residence is located within one of these areas.

- It may be difficult for department staff to verify that the taxpayer is an "entry-level" teacher or public safety officer. Perhaps the employer could provide verification to the taxpayer. The verification could be provided by the taxpayer to the department upon request.

- The AGI limitation provided by this bill would limit the credit using AGI based on marital status rather than filing status. Under the current law renter's credit, the AGI limitation is based on filing status, with one amount for married couples filing a joint return, heads of household or surviving spouses and a lesser amount for other individuals. As drafted, it would be difficult for the department to verify the AGI limit for married taxpayers filing separate returns.
- It is unclear whether the author intends to index the credit amount or the AGI limitation for inflation. Under the current law for renter's credit, the AGI limitation is indexed for inflation, not the credit amount. If the author intends to index only the AGI limitation, all references to subdivision (a) within the indexing provisions (subdivision (g)) should be changed to subdivision (d).

FISCAL IMPACT

Departmental Costs

If the bill is amended to resolve the implementation considerations identified, implementation of this bill would not significantly impact the department's costs.

Tax Revenue Estimate

The revenue estimate is unknown and cannot be determined until the qualifying metropolitan areas are identified for a qualified renter.

BOARD POSITION

Pending.